

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 6958

BILL NUMBER: HB 1325

NOTE PREPARED: Jan 13, 2014

BILL AMENDED:

SUBJECT: Farmland assessments.

FIRST AUTHOR: Rep. Price

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill requires the Department of Local Government Finance (DLGF) to eliminate in the calculation of the rolling average used in annual adjustment to the base rate for agricultural land the two years among the six years for which the highest and second highest market values in use of agricultural land are determined.

Effective Date: July 1, 2014.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, the assessed value of real property is adjusted each year to reflect market changes. Each year, the base value for agricultural land is set by the DLGF, based on a six-year rolling average of the capitalization of net cash rents and net operating income for farmland. Since taxes payable in 2011, the formula drops the high year from the six-year average. Beginning with taxes payable in 2016 under this bill, the highest two years would be dropped from the six-year average.

The base value per acre of farmland is \$1,760 for taxes payable in 2014, and is currently estimated at \$2,050 for 2015, \$2,430 for 2016, and \$2,810 for 2017. Under this proposal, the base value is estimated at \$2,280 for 2016, and \$2,550 for 2017.

Although the 2016 base value under this proposal would still be higher than the estimated 2015 value under current law, the proposed 2016 value would be less than the 2016 value under current law. This analysis compares net taxes and circuit breaker losses under this proposal with those under current law for the same years.

The reduction in the farmland base value in this proposal would result in a smaller tax base than under current law. This would lead to a higher tax rate. The statewide average tax rate per \$100 AV would increase by an estimated \$0.0144 in 2016 and \$0.0241 in 2017.

This increased tax rate would shift part of the tax burden from farmland to all other classes of property. The table below contains summary estimates of these changes.

Estimated Net Property Tax Change				
Net Tax by Property Type	2016		2017	
Farmland	-\$21.5 M	-4.7%	-\$36.0 M	-6.9%
Homesteads	6.3 M	0.3%	10.5 M	0.5%
Other Residential	2.0 M	0.3%	3.3 M	0.4%
Commercial Apartments	0.1 M	0.0%	0.2 M	0.1%
Ag_Business (Ex. Farmland)	1.5 M	1.3%	2.5 M	2.2%
Other Real Property	3.1 M	0.2%	5.2 M	0.3%
Personal Property	4.0 M	0.4%	6.7 M	0.6%
Total	-\$4.4 M	-0.1%	-\$7.6 M	-0.1%
Note: Columns may not total due to rounding.				

In addition, circuit breaker credits would increase by a small amount. The table below contains estimates of additional circuit breaker losses under this bill.

Estimated Circuit Breaker Impact by Unit Type (Millions)		
Unit Type	2016	2017
Counties	\$ 1.2	\$ 2.1
Townships	0.1	0.2
Cities and Towns	1.5	2.7
Schools	2.1	3.6
Libraries	0.2	0.4
Special Units	0.1	0.2
Non-TIF Total	\$ 5.3	\$ 9.1
TIF Districts	0.3	0.5
Total Including TIF	\$ 5.6	\$ 9.6
Note: Columns may not total due to rounding.		

The increased tax rates would also result in an increase in TIF revenue estimated at \$1.0 M in 2016 and \$1.7 M in 2017.

A county-level report is at the end of this fiscal note.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local assessors; local civil axing units and school corporations.

Information Sources: LSA property tax database.

Fiscal Analyst: Bob Sigalow, 317-232-9859.

**Estimated Impact of Excluding Two Highest Years
In Farmland Base Value Formula**

County		2016 Estimated Change			2017 Estimated Change		
		Farmland Net Tax	Other Prop Net Tax	Circuit Breaker	Farmland Net Tax	Other Prop Net Tax	Circuit Breaker
01	Adams	-287,180	247,570	41,980	-476,670	409,060	70,870
02	Allen	-568,430	305,200	249,940	-980,980	508,690	468,150
03	Bartholomew	-308,040	255,620	57,930	-520,260	426,730	105,310
04	Benton	-149,480	127,930	22,040	-232,960	199,360	34,760
05	Blackford	-127,130	74,390	54,910	-205,540	120,970	89,600
06	Boone	-347,960	278,670	62,460	-577,030	460,110	102,220
07	Brown	-17,170	17,810	0	-29,570	30,140	0
08	Carroll	-189,250	179,450	24,910	-301,230	288,020	39,840
09	Cass	-287,020	194,260	103,120	-466,230	312,250	166,090
10	Clark	-176,940	107,490	106,130	-304,150	181,090	179,040
11	Clay	-181,530	185,630	0	-298,420	303,620	0
12	Clinton	-313,710	244,160	70,830	-507,800	390,000	115,000
13	Crawford	-107,220	55,080	54,420	-185,730	92,870	99,100
14	Daviess	-288,340	254,870	64,320	-476,660	418,690	106,450
15	Dearborn	-141,640	112,800	26,160	-244,060	195,620	48,540
16	Decatur	-207,820	220,930	20,260	-344,110	367,290	34,720
17	DeKalb	-288,060	242,560	48,210	-487,960	417,220	85,670
18	Delaware	-386,390	216,470	190,740	-650,170	365,200	329,290
19	Dubois	-232,860	197,230	40,450	-393,420	337,470	71,870
20	Elkhart	-353,680	225,660	145,480	-608,540	374,200	246,600
21	Fayette	-180,240	85,210	95,220	-300,470	140,530	157,670
22	Floyd	-40,520	34,140	6,790	-70,550	63,810	13,110
23	Fountain	-178,830	172,510	21,670	-285,410	273,950	34,510
24	Franklin	-162,610	156,010	7,530	-270,540	259,660	12,510
25	Fulton	-183,050	180,810	3,690	-298,950	294,760	5,880
26	Gibson	-368,350	376,780	74,830	-621,160	629,230	129,810
27	Grant	-303,040	237,750	108,920	-504,270	390,550	183,550
28	Greene	-229,170	169,480	71,240	-381,990	278,960	122,080
29	Hamilton	-356,760	216,200	156,150	-608,760	334,230	251,350
30	Hancock	-361,620	245,730	128,760	-614,630	416,330	222,330
31	Harrison	-170,090	172,000	0	-289,650	289,720	0
32	Hendricks	-408,940	239,360	202,370	-700,460	412,440	366,250
33	Henry	-383,580	228,930	168,490	-650,360	375,920	292,360
34	Howard	-377,660	147,250	227,830	-650,510	245,090	396,700
35	Huntington	-262,260	175,020	105,290	-436,760	287,750	176,220
36	Jackson	-226,810	191,360	34,390	-382,680	324,930	59,920
37	Jasper	-228,710	252,200	0	-372,840	401,770	0
38	Jay	-269,580	170,130	110,410	-434,210	276,510	180,830
39	Jefferson	-183,520	151,540	38,890	-311,970	254,860	65,930
40	Jennings	-199,010	198,370	20,940	-330,160	332,170	34,890
41	Johnson	-313,570	177,350	160,440	-539,660	320,930	284,310
42	Knox	-297,910	248,750	75,220	-490,940	403,800	127,970
43	Kosciusko	-314,890	302,190	24,900	-530,510	504,780	42,360
44	LaGrange	-189,790	193,020	6,170	-322,370	327,920	10,470
45	Lake	-275,880	246,250	43,000	-473,170	426,540	72,680
46	LaPorte	-330,390	268,610	86,070	-566,140	448,740	147,950

**Estimated Impact of Excluding Two Highest Years
In Farmland Base Value Formula**

		2016 Estimated Change			2017 Estimated Change		
		Farmland Net Tax	Other Prop Net Tax	Circuit Breaker	Farmland Net Tax	Other Prop Net Tax	Circuit Breaker
47	Lawrence	-181,710	118,270	71,140	-309,860	199,200	121,550
48	Madison	-556,020	256,050	351,370	-957,720	426,720	615,080
49	Marion	-89,800	38,100	68,260	-155,690	49,200	101,940
50	Marshall	-279,010	245,260	37,680	-464,810	371,440	112,420
51	Martin	-71,440	64,620	7,260	-118,730	107,300	12,110
52	Miami	-216,610	167,860	54,630	-356,340	271,480	90,630
53	Monroe	-65,670	46,790	1,980	-114,380	100,280	5,430
54	Montgomery	-377,580	359,270	35,540	-616,920	582,650	56,800
55	Morgan	-116,040	121,340	0	-199,160	205,280	0
56	Newton	-249,070	227,970	22,580	-400,390	364,460	35,060
57	Noble	-275,800	277,120	20,650	-462,870	463,460	35,000
58	Ohio	-17,650	17,580	0	-30,410	30,590	0
59	Orange	-115,700	122,680	4,660	-192,850	206,110	7,950
60	Owen	-177,980	138,960	38,910	-296,890	232,420	63,590
61	Parke	-143,710	149,070	0	-229,350	238,720	0
62	Perry	-84,860	68,440	24,880	-142,100	113,750	43,320
63	Pike	-176,890	154,910	20,230	-296,850	261,970	35,070
64	Porter	-298,450	251,290	72,210	-513,970	430,770	123,270
65	Posey	-282,810	260,680	26,980	-474,910	447,980	46,960
66	Pulaski	-122,670	123,120	0	-192,210	190,730	0
67	Putnam	-249,190	259,720	13,790	-409,040	431,680	23,310
68	Randolph	-282,230	191,440	106,460	-452,880	306,650	171,970
69	Ripley	-178,520	179,300	0	-296,140	298,520	0
70	Rush	-220,980	159,520	62,170	-352,650	254,550	100,280
71	St. Joseph	-455,290	309,690	198,240	-782,710	534,840	347,870
72	Scott	-116,070	101,480	28,980	-197,620	173,490	50,920
73	Shelby	-266,660	260,190	28,990	-444,070	433,780	50,090
74	Spencer	-225,380	301,180	5,400	-376,820	510,600	10,150
75	Starke	-176,720	159,280	12,480	-296,160	260,040	26,140
76	Steuben	-129,780	120,810	3,640	-223,630	199,090	5,930
77	Sullivan	-271,300	239,210	34,530	-445,380	394,410	56,200
78	Switzerland	-57,800	57,210	0	-98,200	97,120	800
79	Tippecanoe	-441,910	416,060	65,980	-753,830	716,960	118,930
80	Tipton	-196,570	164,980	42,060	-315,760	267,170	68,860
81	Union	-102,440	84,770	19,160	-164,990	134,890	30,430
82	Vanderburgh	-164,690	57,070	105,930	-285,250	122,910	212,780
83	Vermillion	-215,660	148,760	68,230	-353,880	250,070	106,880
84	Vigo	-342,350	158,130	196,420	-591,960	266,100	339,970
85	Wabash	-182,660	193,010	7,930	-295,080	308,370	12,150
86	Warren	-112,070	113,020	140	-177,570	176,770	340
87	Warrick	-165,240	176,710	14,040	-285,660	277,160	22,640
88	Washington	-220,150	197,770	21,290	-360,810	329,410	32,460
89	Wayne	-364,840	171,310	203,870	-611,530	284,920	348,950
90	Wells	-221,080	200,470	290	-360,490	326,470	420
91	White	-266,860	255,390	15,710	-433,910	418,620	26,230
92	Whitley	-226,340	233,340	24,070	-377,280	383,540	39,850
		-21,508,880	17,099,930	5,502,260	-36,000,320	28,367,120	9,495,490